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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 30, 2013

CERTIFIED RETURN RECEIPT

7005 2570 0000 4801 5570

John Byars
Red Cliff Mining, Inc.
321 South 100 East
P.O. Box 576
Emery, Utah 84522

Subject: Review of Reclamation Surety, Red Cliff Mining, Inc., H&B Mine, S/019/0063, Grand County, Utah

Dear Mr. Byars:

The last surety estimate for the H & B Mine was done in 2007 and escalated to 2010 dollars, so it is now overdue for adjustment to account for changes in reclamation costs.

Based on average reclamation costs **and the acreage identified in the Notice of Intention to Commence Small Mining Operations** (Notice), the surety amount needs to be increased from \$10,200.00 to \$28,200 for a three-year escalation (surety next evaluated in 2016) or \$28,900 for a five-year escalation). The average reclamation costs are outlined on the following table.

Small Mine Operation Bond Calculation Worksheet S/019/0063

3-year escalation (2016)

Item	Quantity	Unit Cost	Total Cost
1st Acre Disturbance	1	\$7,400.00	\$7,400.00
Add'l Acres Disturbance	4	\$5,200.00	\$20,800.00
TOTAL			\$28,200.00

5-year escalation (2018)

Item	Quantity	Unit Cost	Total Cost
1st Acre Disturbance	1	\$7,700.00	\$7,700.00

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John Byars
S/019/0063
November 5, 2013

Additional Acres Disturbance	4	\$5,300.00	\$21,200.00
TOTAL			\$28,900.00

A site inspection conducted on October 21, 2013, indicated that some disturbance has occurred between the southeast boundary of the disturbed area marked in the field and the pre-existing road identified in the Notice. Including that out-of-boundary disturbance, the site inspection found that there is currently 1.25 acres of disturbance, not including the pre-existing road. This site is currently permitted and bonded for five acres of disturbance.

Since the current disturbed acreage is less than the amount permitted, an alternative to increasing the surety would be to decrease the permitted acreage, and thus the potential reclamation liability, by amending the Notice. A new surety amount would be calculated based on the revised acreage. The Notice can be amended at a later date should you decide to increase the permitted acreage. If you decide to pursue this option, please contact the lead inspector, Mike Bradley, at 801-538-5332. An application to revise the Notice can be found at this link:

https://fs.ogm.utah.gov/pub/mines/minerals_related/forms/MR-REV-SMO_EXP.pdf.

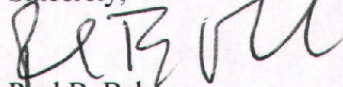
Please contact the bond coordinator, Penny Berry, at 801-538-5291 or by email at pennyberry@utah.gov for information about submitting the additional surety. Your current surety is in the form of a letter of credit with Zions Bank. You may amend the current letter of credit, or replace the letter of credit with another letter of credit, a surety bond, cash, or a certificate of deposit. Bonding forms are available on the Internet at

http://linux1.ogm.utah.gov/WebStuff/wwwroot/minerals/bonding_forms.html.

Please provide the additional surety or submit a revised Notice of Intention to decrease the permit acreage no later than December 31, 2013.

Thank you for your help in keeping the surety current. Please contact Mike Bradley at 801-538-5332 or me at 801-538-5261 if you have questions concerning this letter.

Sincerely,



Paul B. Baker

Mining Program Manager

PBB:mpb:pb

cc: Jerry Mansfield, SITLA (jmansfield@utah.gov)

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